

Investor Update: STW June 2019 Franking Credits 26 July 2019

This update should be read in conjunction with the [Investor Update dated 18 July 2019](#). The application of the benchmark rule, as explained in our initial update, has served the SPDR S&P/ASX 200 Fund ("STW") well in the past, protecting investors from denials of franking credits under the tax rules applicable to managed funds. This is a highly complex matter and we have been working hard with our tax advisers to better understand exactly why there was an unexpected outcome for the last quarter. We are also continuing to work with our taxation advisers to address this issue as best as possible, to prevent a recurrence and achieve the best possible outcome for our investors. We appreciate that this must be a very frustrating issue for investors and will provide additional information to assist investors in their understanding of the matter and what it means for the STW moving forward.

How did STW allocate franking credits for the September 2018, December 2018 and March 2019 quarters?

For each of the first three quarters of the financial year, we calculated the taxable income of STW to determine the amount available for distribution. This is based upon dividends and distributions received by STW from the underlying securities in that quarter. Franking credits associated with these dividends and distributions were allocated to unitholders.

What happened for the June 2019 quarter?

At the end of the year we aggregated the full 12 months of franking credits from dividends and distributions and tested it against the capped amount under the ATO's benchmark rule. The annual rate used to calculate this capped amount is published on the [ATO's website](#) (with a slight lag). We are not permitted by the ATO to distribute any franking credits above this capped amount.

We then calculated the franking distribution for June 2019 as the total capped amount less what was already distributed in September 2018, December 2018 and March 2019.

What credits were allocated during the 2018/19 financial year?

STW allocated **\$0.82 per unit** in franking credits to investors over the **first three quarters** of the financial year:

Period	Franking credits per unit
September 2018	\$0.364533
December 2018	\$0.201745
March 2019	\$0.253854

Our calculations for June showed that the amount distributed in the first three quarters was very close to the capped amount under the ATO rule. As a result, we were unable to distribute any further franking credits for the June quarter. The surplus franking credits we have been unable to distribute amounted to approximately \$0.18 per unit.

Are the undistributed franking credits carried forward?

We are not permitted to carry surplus franking credits under the ATO benchmark rule to the next financial year. The only franking credits allotted for the September 2019 quarter will be those linked to the dividends or distributions received during that quarter.

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